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SUBJECT: NIGER: GROWING INTEREST IN NIGER'S OIL AND
MINERAL WEALTH BY FOREIGN FIRMS

REF: A.) NIAMEY 1285 04 B.) NIAMEY 522

¶1. BEGIN SUMMARY. (SBU) Over the past six months, there has been growing interest in Niger's mining and oil sectors by foreign investors, notably from China, Canada and France. As indicated below, the GON is pushing hard to attract investment in the gold, uranium and oil sectors, and to improve the regulatory and investment climate for the extractive sector in general. One representative of a Canadian firm interested in prospecting for Nigerien uranium described Niger as a low risk, high return opportunity for natural resource exploration, with a stable government whose natural resources have been exploited on a very limited scale. END SUMMARY.

GOLD

¶2. (SBU) During the month of June Econoff Gage met with industry and GON representatives, including the Secretary General (SG) of the Nigerien Ministry of Mines and Energy, Mr. Abdoul Razak Ahmad to discuss potential investment opportunities in the gold, uranium and petroleum sectors. The Econoff's meeting with Mr. Ahmad followed the first ever UEMOA Mining and Telecom Conference held in Niamey, Niger

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from June 7 through June 9, 2006.

¶3. (SBU) The gold mining region is located principally in the Liptako (far western) and Air (north central mountains) regions of Niger. Within the Liptako region, gold and substances commonly associated with its discovery, such as bronze, zinc and copper, can be found. It is an area of

ancient artisanal gold mines that presently hosts one modern, industrial gold mining operation, Samira Hill (see reftel A), owned by the Government of Niger (GON), Canadian and Moroccan interests.

¶4. (SBU) The SG stated that the GON has created 17 blocks of territory in the Liptako region and one block south of the south central Nigerien city of Maradi for gold exploration. Of these 18 blocks, permits for exploration have been awarded for nine. Presently, the GON has requests for permits for exploration for four other blocks and five blocks remain without a suitor. The firms requesting permits hail from Canada, the Cayman Islands and Niger. Orezone, a Canadian gold exploration firm, is presently working on the Kossa exploration project in Niger.

¶5. (SBU) EMBASSY COMMENT. Increased development of the formal gold mining sector will not only increase GDP and GON revenues, it will also provide impetus to curtail informal mining with its concomitant problems of child labor and the spread of HIV/AIDS. END COMMENT.

URANIUM

¶6. (SBU) Niger is the third largest producer of uranium in the world. All of this production presently comes from just two mines. From 1987 through 2002, the price of uranium was weak. However, with the increasing price of uranium on world markets generated by rising energy demand and interest in using energy that does not produce greenhouse gases, Niger is being targeted for increased uranium exploration. Uranium yellowcake produced by the present Nigerien mines has a constant price for three year intervals due to agreements between the producers and customers. Prior to 2002, the agreed upon price proved to be higher than the world market. From 2003 to the present, the agreed upon price has been lower than the world market price, i.e., the customers of

Niger's present uranium yellowcake producers could make a profit, if they sold their share on the open market.

¶7. (SBU) The GON has designated 63 blocks for uranium exploration, of which 2 include coal rights. For 7 of these blocks, permits have been awarded to 4 firms. These 4 firms are Canadian, French and Nigerien. Presently, the French firm of Areva produces uranium yellowcake in Niger in partnership with the GON, European and Japanese interests. Firms requesting permits in the blocks not already awarded have Burkinabe, Canadian, Chinese, French, Ghanaian, Nigerien, Nigerian and UAE origins.

¶8. (SBU) Econoff learned during the recent UEMOA Mining and Telecom Conference that North Atlantic Resources, Ltd., via a subsidiary known as Solier, and Northwestern Mineral Ventures, Inc. were interested in uranium exploration in Niger. Both firms have Canadian origins. Northwestern holds a permit from the GON for uranium exploration in the Irhazar and In Gall blocks. The firm's representative was very bullish on prospects for finding uranium in these blocks following preliminary studies. It was also predicted at the conference that growing Chinese demand for nuclear power could lead to the construction of up to forty new nuclear reactors by 2020.

OIL

¶9. (SBU) Exxon/Mobil made a discovery of approximately 350 million barrels of oil in Niger. However, they recently left Niger per reftel B. A Canadian industry expert attending the conference told ECONOFF that with current high world oil prices, the Exxon/Mobil find is immediately commercially viable. Other firms continue to prospect for oil in Niger and with rising oil prices Niger's remoteness becomes a

smaller barrier to oil production and exportation.

¶10. (SBU) The SG mentioned that there are 14 blocks of territory assigned by the GON for oil exploration. Of these 14 blocks, 3 are presently attributed to Canadian, Chinese and Algerian firms. Ten other permits are being requested by three Australian, two English, two Canadian, two Chinese, one Algerian and one Nigerian firm. Sonatrach, the state owned Algerian oil and gas company, is exploring for oil in Niger in the Kafra block. It is hoping to receive a permit for exploration in the Niger/Algeria border region of Tafassasset as well. The China National Petroleum Corporation (CNPC) via its subsidiary China National Oil and Gas Exploration and Development Corporation (CNODC) is actively searching for oil in the Bilma and Tenere blocks.

LEGISLATION, LABOR AND
SHARING WEALTH,

¶11. (SBU) The SG recognizes that Niger has yet to award permits to some firms that have made requests. He noted that Niger must finish revisions to its mining and petroleum codes. The revisions are complete at the executive level and now need to be passed by the National Assembly. The SG estimates passage by the Assembly will be complete in approximately one month, at which point the GON can finish awarding permits for exploration blocks.

¶12. (SBU) Econoff asked the SG if thought had been given to how Niger would use its mineral and oil wealth, in light of Chad and other developing countries' experiences. The SG stated that since March 2005 ten percent of the receipts the GON receives from mining and petroleum related activities in

Niger have been dedicated to the regions where exploration and production is taking place. In addition, regulations ordered by the Prime Minister (PM) requiring open disclosure of GON mining and petroleum revenues are in place. The GON needs to create institutions to enforce these regulations.

¶13. (SBU) Last year it was reported in the Nigerien press that the China National Oil and Gas Exploration and Development Corporation (CNODC), a subsidiary of the China National Petroleum Corporation (CNPC), was accused by some of its workers of mistreatment. CNODC has two oil exploration sites in Niger, northeast of the city of Agadez. The SG responded to the Econoff's inquiry regarding worker mistreatment by stating that the Ministry of Mines and Energy shares the responsibility for enforcing workplace protections with the Ministry of Labor. The GON has a regional committee, based in Agadez, that investigated the complaints of these workers. The SG went on to say that approximately a week before he and Econoff spoke, the issue of worker mistreatment was raised again. Thus, he promises the committee will send a mission shortly to investigate. For the moment oil exploration work has ceased due to extreme heat and the SG expects that it will resume in July, when temperatures are relatively lower.

¶14. (SBU) EMBASSY COMMENT: The GON appears serious about promoting Niger as a destination for natural resource exploration and production, and the mining conference was by far the most professionally run trade promotion event in our historical memory. The SG had a very good grasp of his subject and provided the Econoff with two CDs produced by the Ministry of Mines and Energy. One CD is titled "Petroleum Potential of Niger May 2006" and the other is labeled "Mineral Potential." Econoff will provide copies to regional commercial officer in Dakar, Senegal. END COMMENT.
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